

# LEGISLATIVE AUDIT COMMISSION



Review of  
Illinois Department of Natural Resources  
Two Years Ended June 30, 2004

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**REVIEW: 4244**  
**ILLINOIS DEPARTMENT OF NATURAL RESOURCES**  
**TWO YEARS ENDED JUNE 30, 2004**

**FINDINGS/RECOMMENDATIONS - 29**

**IMPLEMENTED - 13**

**ACCEPTED - 13**

**NOT ACCEPTED - 3**

**REPEATED RECOMMENDATIONS - 9**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 12**

This review summarizes the auditors' reports on the Illinois Department of Natural Resources for the two years ended June 30, 2004, filed with the Legislative Audit Commission April 28, 2005. The auditors performed a compliance examination in accordance with State law and *Government Auditing Standards*. The auditors also conducted a financial audit of the Department's Capital Asset Account for the year ended June 30, 2004. The auditors stated that the Department's capital asset account was fairly presented.

The Department of Natural Resources was established on July 1, 1995 when the functions of the former Department of Conservation, Department of Mines and Minerals, the Abandoned Mined Lands Reclamation Council, portions of the Department of Energy and Natural Resources, and the Division of Water Resources from the Department of Transportation were merged by an Executive Order of the Governor.

The Department currently manages over 313 sites totaling nearly 460,000 acres of publicly owned and leased land. In addition, the Department manages a variety of public sites such as museums, boat access areas, marinas, trails, and concessions that are leased to or operated by private concessionaires or local communities. The Department coordinates the operations of the Illinois State Museum in Springfield, the Lockport Art Gallery, the Illinois Art Gallery in Chicago, the Dickson Mounds Museum in Fulton County, and the Southern Illinois Arts and Crafts Marketplace in Franklin County. DNR oversees the operations of the Natural History Survey, the State Geological Survey, the State Water Survey, and the Illinois Waste Management and Research Center.

Mr. Brent Manning was Director during the first nine months of the audit period, serving in that capacity since the Department's creation in 1995. Mr. Joel Brunsvold was Director for the balance of the audit period, serving in that capacity since April 2003. Mr. Brunsvold retired effective January 1, 2006. The Acting Director is Mr. Sam Flood. Mr. Flood served as the Assistant Director for the Department prior to becoming Acting Director.

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The average number of employees was:

	<i><b>FY04</b></i>	<i><b>FY03</b></i>	<i><b>FY02</b></i>
<b>Full-time:</b>			
<b>General Office</b>	237	248	289
<b>Resource Conservation</b>	261	279	308
<b>Law Enforcement</b>	179	170	186
<b>Land Management &amp; Education</b>	549	564	617
<b>Mines &amp; Minerals</b>	130	136	149
<b>Water Resources</b>	76	85	96
<b>Waste Management &amp; Research</b>	36	38	39
<b>Geological Survey</b>	112	113	118
<b>Natural History Survey</b>	80	78	83
<b>Water Survey</b>	64	66	68
<b>Museums</b>	79	83	88
<b>Conservation 2000</b>	13	22	26
<b>Total Full-time</b>	1,816	1,882	2,067
<b>Part-time</b>	329	291	341
<b>GRAND TOTAL</b>	<b>2,145</b>	<b>2,173</b>	<b>2,408</b>

### **Expenditures From Appropriations**

The General Assembly appropriated \$592,651,596 from 47 different funds to the Department of Natural Resources for FY04. Of the total, \$149.5 million was from the Capital Development Fund; \$108.6 million from the General Revenue Fund; \$71.2 million from the Open Space Land Acquisition Fund; \$42.4 million from the Park and Conservation Fund; \$41.4 million from the Wildlife and Fish Fund; \$43 million for the Build Illinois Bond Fund; and \$136.7 million from the remaining 41 funds. Appendix A summarizes these appropriations and expenditures for the period under review.

Appendix B provides a summary of the Department's expenditures by line item for FY04-FY02. Expenditures were \$284.6 million in FY04 compared to \$326.3 million in FY03, a decrease of \$41.7 million, or 12.8%. Awards and grants increased about \$14.6 million. Personnel lines decreased \$6.6 million due to fewer employees; construction grants decreased \$11.5 million; permanent improvements decreased almost \$23 million; highway and waterway construction decreased \$4 million; and lump sum awards and grants decreased \$5.2 million. There were 63 Illinois First Projects administered by DNR at a cost of \$24.5 million for FY04 and FY03. Lapse period expenditures accounted for \$12.6 million, or 4.4% of total expenditures in FY04.

### **Property and Equipment**

Appendix C provides a summary of property and equipment for the year ended June 30, 2004. Property and equipment for the Department increased from \$973,098,403 as of July 1, 2002 to \$1,035,066,154 as of June 30, 2004. The Department owns \$308.6 million in land and improvements; \$166.1 in site improvements; \$451.9 million in buildings and improvements; \$108.3 million in equipment; and \$0.1 million in capital leases-equipment.

### **Cash Receipts**

Appendix D provides a summary of cash receipts for FY04-02, which totaled \$165,041,000 in FY04, an increase of \$30.3 million, or 22.5%. About 25.7% of cash receipts is from licenses and fees. The Real Estate Transfer Tax increased \$25.2 million because Real Estate Fund allocations were reinstated for 2004.

### **Service Efforts and Accomplishments**

The Department's mission is to manage, protect and sustain Illinois' natural and cultural resources; provide resource-compatible recreational opportunities; and promote natural resource-related public safety, education and science. More than 41 million people visited Department owned or managed sites in FY04. In FY04, 87% of park visitors expressed high satisfaction with overall park facilities and operations; 82% of site visitors expressed high satisfaction with interpretive programs; and 88% expressed high satisfaction with park safety. The Department issued 754,767 fishing licenses and 321,998 hunting licenses in FY04. More than 20,200 students were certified in safety education classes.

### **Accountants' Findings and Recommendations**

Condensed below are the 29 findings and recommendations included in the report, of which nine are repeated from prior audits. The following recommendations are classified on the basis of updated information received from Mr. Sam Flood, Acting Director of the Department of Natural Resources, via electronic mail dated March 1, 2006.

#### **Not Accepted**

- 2. Implement procedures to ensure year-end accounting reports (GAAP package forms) are prepared in an accurate and complete manner. Review and revise, as necessary, the current system of gathering programmatic expenditure information to improve the timeliness of financial reporting, as well as personnel devoted to the task. (Repeated—2000)**

**Findings:** DNR's preparation and submission of GAAP packages were not performed in an accurate manner. The auditors noted the following problems:

**Not Accepted - continued**

- During testing of 13 of the Department's 56 funds, three funds required auditor adjustments because of material misstatements. Five adjustments totaling over \$4 million were required to agree GAAP reporting packages to actual expenditures.
- During a review of 18 federal programs, significant changes were required for 10 programs. Due to these changes, the Schedule of Expenditures of Federal Awards (SEFA) required significant revision.
- The Compensated Absences form was incorrectly prepared using incorrect rates.
- There were numerous inaccuracies in the SAMS to GAAP Reconciliation-Capital Assets (SCO-537) and the Capital Asset Summary (SCO-538) forms.
- DNR had inadequate procedures to identify liabilities for capital projects and land acquisition costs payable to local government from reappropriated accounts.

**Response:** Not Accepted. In response to the prior period audit finding, the Department implemented those actions that were submitted by prior management and were accepted as resolving the finding. Most significant being the Department's acquisition of additional resources to deliver 56, not just the 13 packages selected for examination, GAAP fund packages by the due date. Furthermore, the differences characterized as "inaccuracies or problems" are based on data that did not exist and was not available when the packages were due and was collected two or more months after the due dates. Additionally, since GAAP packages are due, in many instances prior to the availability of final financial data, management must make informed estimates of the final figures. Until the time issue is addressed, GAAP packages will always require adjusting entries, many of which may be substantial.

**Auditor Comment:** This is a repeat finding. In the prior audit, we noted similar problems with failure to timely and accurately prepare the Department's GAAP packages and identify liabilities for capital projects and land acquisition cost payable to local governments from re-appropriated accounts.

Nevertheless, we found similar problems in the current audit. This finding only addressed significant adjustments; there were numerous other inaccuracies. Making informed estimates takes planning, efforts and resources. The Department also had two years to deal with its capital asset issues and liabilities issue and neither was resolved in this audit. In addition, the proper use of Programmatic Accounting System noted in finding 04-9 would help accuracy of the Department's GAAP forms submitted to the Office of the State Comptroller.

- 25. Comply with the SAMS procedure and implement controls to ensure petty cash fund's authorized amounts result in a rate of approximately six turnovers annually or document within the Petty Cash Turnover Report submission why the current level of the Fund is necessary. Implement controls to ensure petty cash funds are reconciled on a monthly basis by individuals other than the Custodian.**

**Findings:** DNR maintains approximately 190 petty cash funds. The auditors tested 15 funds maintained in Springfield and at sites throughout the State and noted the following:

- Eight of the 15 funds tested had annual turnover rates per year that ranged from less than 1 to almost 5. One of the funds did not submit an Annual Petty Cash Turnover Report for the year ended 12/31/02.
- Three out of the 15 funds tested did not have petty cash reconciliations performed every month. One fund was not reconciled for seven months. Four out of the 15 funds were reconciled by the Custodian.

**Response:** Not Accepted. The low turnover rates are historically characteristic of the Department's petty cash funds due to the nature of the Department's programs, particularly seasonality and, the remoteness of many petty cash fund locations. Moreover, the Comptroller is aware and has tacitly approved this condition as stated in the SAMS Procedure 9.10.40 VI F.2., ... "if the turnover rate is less than six...wishes to maintain the current fund level, ...and explanation...stating why...".

**Auditor Comment:** The Department's response that low turnover is due to seasonality and remoteness of petty cash fund locations is inaccurate. All 8 funds noted were maintained at the Central Office. There does not appear to have been any effort to evaluate these funds' usage once the Department was consolidated into the new building. In addition, the Department did not document on the Petty Cash Turnover Report submission their reasoning why the current funding level of the petty cash funds was necessary. Lastly, the Department did not address our recommendation to ensure petty cash funds are reconciled on a monthly basis by an individual other than the Custodian.

**28. Implement procedures to file all required accounts receivable reports with the Office of the State Comptroller in a timely manner as required by SAMS. Further, maintain a current aging schedule of accounts receivable for each quarter of the fiscal year.**

**Findings:** DNR did not submit quarterly accounts receivable reports to the Comptroller timely. In addition, the Department did not maintain a formal quarterly aging schedule for accounts receivable. The auditors noted the following weaknesses:

- For four of eight quarters, accounts receivable reports were received late by the Comptroller's Office.
- The fiscal office did not maintain centralized records supporting accounts receivable and aged accounts receivables submitted to the Comptroller.

**Response:** Not Accepted. The information cited in the finding failed to consider whether or not extensions of time to file had been granted. Additionally, the due date established by the Office of the Comptroller is arbitrary and was formerly 45 days after the end of the reporting period. Furthermore, the Office of Fiscal Management does not recognize the "Fiscal Division" cited, does have files of records supporting its receivables reports from the division where they originate since these divisions submit information that contains amounts and their age. Moreover, the Comptroller's reports, by design, age the receivables reported and provide for estimating collectibility where the Division deems it

**Not Accepted - concluded**

appropriate to do so. Finally, the collectibility estimate is of use to the Department, as a whole, only at year-end because it is required for GAAP reporting, since collection efforts are the responsibility of Offices.

**Auditor Comment:** The auditors did consider extensions and added suggested language to the first bullet of the finding addressing the extension. No other documentation was given to the auditors noting any other extensions. It is the Fiscal Office's responsibility to file accounts receivable reports with the Comptroller and to maintain all necessary support for the information of the forms. The Department's audit liaison did not provide documentation to support the Department's accounts receivable numbers and it is not the auditor's responsibility to search the Department to find documentation to support the Department's accounts receivable numbers.

**Accepted or Implemented**

- 1. Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.**

**Findings:** The Department made payments for efficiency initiative billings from improper line item appropriations and funds. The Department received three billings totaling \$4,176,774 million from CMS for savings from efficiency initiatives as follows:

- Procurement Efficiency \$ 3,317,300
- Vehicle Fleet Management \$ 587,675
- Information Technology \$ 271,799

The only guidance received on the billings was that \$1.35 million should be taken from GRF and \$2.8 million from Other Funds. The auditors found that the Department made payments for the billings not from line item appropriations where the cost savings were anticipated to have occurred, but prorated the amounts evenly across all non-federal and unrestricted federal funds, including those in lump sum accounts. For example, the Department used:

- \$755,975 from the Conservation 2000 Program Fund, ecosystem-based management, for billings relative to procurement efficiency and vehicle fleet management.
- \$4,500 from the Wildlife and Fish Fund, Chicago Park District lagoons and fish and wildlife workshops, for the billing relative to procurement efficiency.
- \$52,000 from the Wildlife Preservation Fund, non-game wildlife protection, for the billing relative to procurement efficiency.
- \$40,200 from the Illinois Beach Marina Fund, Winthrop Harbor operations, for the billing relative to procurement efficiency.

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- \$109,200 from Abandoned Mined Lands Reclamation, environmental mitigation projects, studies and research, for the billing relative to procurement efficiency.

Efficiency initiative payments were also made from two license and stamp funds which would be considered an illegal diversion of license revenues under federal law.

**Response:** Accepted. The Department will make savings payments from lines for which we obtain savings. CMS will provide information to the Department on the method by which savings were derived.

**Updated Response:** Implemented. CFO directive to Payroll & Expenditure Processing Division to only make transfers from those lines where CMS provides source documents.

- 3. Implement procedures to ensure capital assets are reported in an accurate and complete manner. Also, reconcile the Common Inventory System to capital asset reporting amounts to ensure the property control system can be utilized for capital asset reporting. Further, review and revise, as necessary, the current system of gathering property control information to improve the accuracy of the Common Inventory System records and devote necessary personnel to these tasks.**

**Findings:** DNR's preparation and submission of year-end account reports (GAAP Package Forms) to the Office of the Comptroller related to the capital asset account were not performed accurately, causing financial reporting delays. The auditors noted the following problems:

- The previous audit noted numerous errors in the capital asset forms at June 30, 2002. Ending balances at June 30, 2002 were recalculated based on 30 years of historical information obtained from DNR and CDB. However, the ending balances did not reconcile to the property listings on the Common Inventory System (CIS). As of June 30, 2004, DNR had not agreed the ending recalculations with CIS.
- Due to incompleteness of CIS records, DNR did not obtain ending balances for each capitalization category from property control records. Without these amounts, the auditors cannot determine whether ending balances are reasonably stated.
- Since DNR was not relying on CIS for calculations, accumulated depreciation was being calculated manually, incorrectly and without substantiation.
- DNR calculated additions based upon expenditure amounts, and did not reconcile these additions to the CIS system transactions for the year.
- DNR calculated deletions and transfers based upon CIS activity. The amounts are overstated due to the manner in which DNR makes adjustments on the CIS system.
- There were inconsistencies in the manner in which historical treasures, works of art and other collections were recorded in Department records.
- DNR did not include DOT managed projects related to bikeways on its property control record. The amount, \$26.3 million, was omitted from the capital asset account.



**Accepted or Implemented - continued**

- DNR did not include CDB managed statewide projects, totaling approximately \$895,977, on property control records.
- The Department did not include Office of Water Resources sites, totaling approximately \$37 million, on property control records.
- The Department prepared the SCO-537 (SAMS to GAAP Reconciliation—Capital Assets) based upon incorrect C-15s (Agency Report of State Property form). All C-15s prepared during the examination period were incorrect.
- Due to the complexity of the above issues, revised amounts related to capital assets and accumulated depreciation were not available until January 12, 2005, more than four months after the initial due date.

**Response:** Accepted. The Department will continue to pursue solutions to the 30-odd years of previous management staff's questionable practices for capital asset recording, the Capital Development Board's misclassification of capital assets in its transfer reports and the Common Inventory System's inability to provide reports on capital assets that do not require further substantial amounts of analysis by Department staff.

**Auditor Comment:** The Department did not devote sufficient time and resources to properly address GASB 34 when it first became effective in fiscal year 2002. This exacerbated the capital asset issues on a go forward basis. The Department is ultimately responsible for reviewing the information obtained from other State agencies and ensuring the information is properly classified and reported.

**Updated Response:** Partially Implemented. 1. Additional supervisory reviews of C-15 preparations and reconciliations, 2. Contract with Public accounting entity to update and document, in detail, procedures for preparation of C-15 to GAAP reconciliation & external audit worksheet crosswalk to GAAP forms SCO-537/538, 3. Revised 4 qtrs of FY04 C-15s.

**4. Remind all employees of property control procedures to ensure that such procedures are followed. (Repeated-2002)**

**Findings:** The Department had property and equipment totaling in excess of \$1.035 billion, but did not maintain accurate property control records. The auditors sampled 256 equipment items from 10 Department locations and noted the following:

- Five items were not properly tagged;
- Five items were located at sites other than the location listed on the property control records;
- Three items were obsolete or unusable, but still on the property control list; and
- Three items could not be located during testing;

Additionally, the Department was inconsistent in the manner it recorded historical treasures, works of art and other collections.

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**Response:** Accepted. The infrastructure reporting requirements of GASB are relatively new to the Department and the office that manages these assets. We will, as efficiently as possible within existing resources, remind all employees of property control and capital asset reporting responsibilities.

**Updated Response:** Implemented. 1. Obtained written documentation of transfer of assets from IDOT, 2. Retrieved & verified DNR-WR Infrastructure files & recorded 7700 edocs, 3. Added IDOT transfers, infrastructure & CDB-ATR annualized assets to reconciliation of GAAP to CSIC and, 4. Contracted with public accounting firm to prepare GAAP reports & reconciliation for FY05.

- 5. Maintain a record of all paper and printed material for sale as part of commodity inventories and properly record and classify amounts on year-end accounting report (GAAP package) submissions to the Office of the Comptroller. (Repeated-2002)**

**Findings:** The Department did not maintain accurate and complete commodity inventory records for GAAP reporting purposes. DNR did not record the value of paper or printed publications for sale as inventories. Postage amounts were recorded as commodity inventories instead of pre-paid postage.

**Response:** Partially Accepted. The Department will implement procedures to ensure that paper and printed publications for sale are included in the Agency's commodities inventory reported in our GAAP submissions for FY2003 and future years. In addition, in FY2003 the Department will implement procedures to reconcile the delivery of publications shipped.

**Auditor Comment:** This is a repeat finding. In the prior audit, we noted the same issue that the Department did not maintain accurate and complete commodity inventory records for GAAP reporting purposes. It is not the auditors' responsibility to gather this information and post it to GAAP.

**Updated Response:** Implemented. Include Surveys, Waste Mgt. & Museum in annual polling of Division for GAAP reporting.

- 6. Develop standardized procedures for line item grant acquisition projects which are consistent with Department's policies for other grant programs. Make reimbursements to grantees in accordance with these standardized procedures.**

**Findings:** The Department did not ensure line item land acquisition project policies were consistent with Department policies for other land acquisition grant programs. The auditors noted the Department reimbursed the Forest Preserve District \$52,506 over the certified fair market value of \$2,955,054 on seven of 16 parcels of land acquired by the Forest Preserve.

**Accepted or Implemented - continued**

**Response:** Partially Accepted. The Department has adopted Administrative Rules for those grant programs created and as required by their laws. We are not aware of any requirement or Administrative Rules for "line item grants". Additionally, we have developed guidelines for these "line item grants" which are followed and include the processing of payments as reimbursements through the Illinois Office of Comptroller which are pre-audited, at least twice, for compliance with the law, i.e., appropriation that authorizes the payment. Finally, we do not believe we have the requisite authority to impose any further constraints on these appropriations as it may thwart the Legislative intent of the appropriation.

**Updated Response:** Continue following the legislatively designed intent of appropriations on line item grants, continue following Division guidelines for non-competitive grants, and continue verifying validity of grantee appraisals.

**7. Work with GOMB to return \$57,000 to the Set-Aside Fund and ensure future transfers do not violate federal law.**

**Findings:** Transfers were made to GRF totaling \$57,000 in FY04 from the Abandoned Mined Lands Reclamation Set-Aside Fund which were not in accordance with federal law.

**Response:** Accepted. The Department will initiate a dialogue with the GOMB to restore the inadvertently transferred funds. In addition, we will jointly explore with GOMB avenues available in federal law, i.e. indirect cost recoveries, for the Abandoned Mined Lands Reclamation Set-Aside Fund to bear its fair share of financial management costs currently borne by the General Revenue Fund.

**Updated Response:** CFO will contact GOMB and request restoration of transfer from the AML-Set-aside Fund.

**8. Establish procedures to track the fines from citations to off-highway vehicle operators and ensure that the monies are deposited in the Off-Highway Vehicle Trails Fund in compliance with State law, or seek legislative remedy to this statutory requirement.**

**Findings:** The Department is not depositing monies collected as a result of fines from citations to off-highway vehicle operators into the Off-Highway Vehicle Trails Fund. The Department's Division of Law Enforcement has been mistakenly depositing these fines into GRF. Department personnel estimate approximately \$5,000 per year is collected from these fines.

**Response:** Accepted. The Department's Office of Fiscal Management will validate that the enabling legislation of the fund permits deposit of said monies and seek the requisite 'receipt account (r/a)' from the Illinois Office of the Comptroller. If the 'r/a' is approved we

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will then incorporate this source of revenue into the Department's revenue application and inform appropriate Office of Law Enforcement staff to handle this revenue accordingly.

**Updated Response:** Implemented. The revenue account was established, and now is recording the monies.

### **9. Educate the field staff of policies and procedures regarding the Programmatic Accounting System and enforce these procedures to ensure all applicable costs are captured for the federal reporting process.**

**Findings:** The Department failed to consistently use its Programmatic Accounting System (PAS) as outlined in its policies and procedures related to federal aid coordination. When the auditors reviewed federal reimbursements as part of GAAP reporting testing, they noted instances in which DNR did not consistently use PAS to capture and track costs related to federal projects. The auditors noted the following:

- The Office of Land Management did not properly use PAS to record all expenditures related to FEMA declared disaster areas at State parks. The Department failed to capture costs related to vendor payment and employees' timesheets related to the Mississippi River Area Roads and Levees disaster. Initially, FEMA inspectors estimated disaster repairs to be \$122,827, but PAS only captured \$63,992 in costs associated with the repairs. DNR is unable to seek reimbursement in excess of \$63,992 due to the lack of information entered on PAS documenting actual work completed at various sites.
- The Office of Land Management did not properly use PAS to record all expenditures related to its Agriculture Lease program. The Office had to separately accumulate all expenditures for each applicable cost center, match the list of centers with a list of eligible federal aid sites, and determine total expenditures.

Adequate controls over the federal billing process is especially important due to the large number of federal programs administered by DNR which totaled \$29.2 million in federal expenditures during FY04.

**Response:** While the Department generally agrees with the recommendation that the Office of Land Management (OLM) did not consistently use PAS on this project, we do not believe this caused the loss of federal reimbursements as the nonfederal funding required to be expended prior to being reimbursed was not available. Additionally, we would point out the \$122,827 in repairs are "estimated" and it is unclear whether this represents total costs or maximum federal reimbursements. Further, the management staff of OLM, which state they were not contacted on this issue, believe that the PAS figures represent the amount of work actually performed on this project. Finally, the Agriculture Lease program is not managed by the Office of the Resource Conservation and is not a federal program.

**Auditor Comment:** Department policies and procedures require the Department to use the PAS system for billings for federal programs. The Department did not consistently

**Accepted or Implemented - continued**

follow their own policies and procedures. Therefore, the auditors were unable to determine if all time was captured and claimed. The issue with FEMA was one example of this problem. In addition, although the Agriculture Lease Program is not a federal program, the Department is required to report all Agriculture Lease Program expenditures to the federal government for all sites purchased with federal funds. We still contend PAS should be used to properly accumulate this information.

**Updated Response:** The Office Director and Division Manager of Parks have directed Regional Land managers the task of closer reviews of these awards at sites in their regions as they conduct periodic region/site management information sessions.

- 10. Educate field staff of policies and procedures regarding federal billings and enforce these procedures to ensure there is not future circumvention of the federal reporting process. Also, the Department should file corrected federal expenditure reports with the National Resource Conservation Service (NRCS).**

**Findings:** Department employees circumvented the federal reporting process resulting in federal reimbursements in excess of allowable costs. The auditors noted two instances in which the Department received payments totaling \$4,755 for expenditures that had not been incurred by the Department. This happened as a result of an employee submitting expenses directly to the Natural Resource Conservation Service.

**Response:** Accepted. The Department will once again, as we have in past years, re-emphasize its federal grant policies to all staff via memorandum and posting of information on its intranet. Also, we will further examine circumstances involved with the \$4,255 in ineligible federal reimbursements and promptly refund this money to the federal grantor if warranted.

**Updated Response:** The Office of Resource Conservation is currently reviewing in depth the events that produced the audit finding. It has been determined that the procedures implemented to pay the vendors from matching funds was incorrect. The services should have been split between the outside matching source, (25%) and state funds (75%). The state funds would then have been reimbursed from the federal funds. This isolated incident involved approximately \$5,000 of \$24,008,000 or .02% of Federal award receipts

- 11. Re-evaluate current policies and procedures regarding the overtime payment for Conservation Police Sergeants and follow the procedures that are formally adopted in the Department's Timekeeping Handbook. Further, implement controls to monitor overtime balances to ensure compensatory time is used during non-peak work periods and to monitor personnel services funds to ensure adequate funds are available at the end of the fiscal year to pay all accrued overtime.**

**Findings:** The auditors noted that Conservation Police Sergeants were paid overtime incorrectly at the end of each pay period.

Department personnel stated that many Sergeants were accumulating overtime balances beyond the funds that may be available at the end of the fiscal year. Second, Department personnel stated Sergeants would use a majority of their overtime as compensatory time off at the end of the fiscal year in the months of May and June, the most important time of the year to have the Sergeants on duty.

**Response:** Accepted. The Department's Offices of Law Enforcement and Human Resources will initiate a re-evaluation of the affected Timekeeping Handbook policies and adjust these as needed to comply with court agreements. Further, the Office of Law Enforcement continues to and will continue to closely monitor its personal services funding monthly. Additionally, the Department has implemented, in the current fiscal year, a process for evaluating budget to actual variances on a monthly basis should assist this effort.

**Updated Response:** Implemented. Law Enforcement will only pay Sergeant's overtime in accordance with the court order.

**12. Implement an automated timekeeping system to strengthen internal controls and eliminate the multiple timekeeping systems currently used by the Department. (Repeated-2000)**

**Findings:** DNR's timekeeping system is not automated, resulting in inefficiencies and errors in accurately calculating employee accumulated leave. Each division with the Department maintains a manual timekeeping system for their several hundred employees. The auditors noted the following weaknesses:

- Accrued leave was incorrectly calculated for 11 of 60 employees selected for testing.
- The timekeeping process is not universal throughout the Department. One division uses the CMS system; others use their own systems, but most use the Department's manual process.

**Response:** Accepted. The Department is not aware of any authoritative State requirement to implement an automated timekeeping system. The automated application currently used by one Department office is not linked to payroll, is susceptible to keying and manipulative errors by those entering data and is cost prohibitive to extend coverage to other offices of the Department. Nevertheless, we will seek to make available to timekeepers currently owned and licensed software that can minimize calculation errors.

**Auditor Comment:** In the prior audit, we noted the same issues with the Department being unable to properly calculate accrued leave and incurring a large number of manual errors. The Department agreed with our prior recommendation to implement an automated system.

**Accepted or Implemented - continued**

We again emphasize that due to the size and decentralizations of the Department and the continued errors noted, it would be prudent business practices to implement an automated timekeeping system, even as simple as a spreadsheet or database system.

**Updated Response:** CMS/GOMB has assembled a committee to search for a long term solution for an automated time and attendance system for all State Agencies.

**13. Review the annual evaluation process and ensure completion of annual performance evaluations for all employees. Hold immediate supervisors responsible for completing evaluations in a timely manner.**

**Findings:** DNR is not completing employee evaluations timely. During testing, the auditors noted that current performance evaluations were not filed or were not performed timely for 11 of the 60 personnel files sampled.

**Response:** Accepted. The Department's Office of Human Resources has already begun a review of the timeliness of completing employee performance evaluations. In support of this effort, the Department's executive staff have endorsed the necessary reorganizations within its offices to establish a first level of responsibility for these documents at the regional level. Further, past due notices are being sent and a quarterly list of delinquents is planned to be run and sent to the Department's Deputy Directors.

**Updated Response:** Implemented. Worked with office directors to get all delinquent evaluations, and notify each office monthly of any pending or due evaluations.

**14. Comply with policies and implement controls to ensure timely reporting of fringe benefits for the personal use of a State vehicle and ensure employees properly complete the Commuting with State Vehicle Form.**

**Findings:** The Department did not have adequate controls in place to ensure that employees assigned State vehicles for their personal use were charged the correct amount for fringe benefits. During testing, the auditors noted the following weaknesses:

- The Department could not locate the employee's Commuting with State Vehicle form for three of 25 employees tested.
- Fifteen of 25 employees tested did not disclose any information regarding commuting distance or number of one-way commutes on the Commuting with State Vehicle Form.
- During calendar 2003, the Department restructured its reporting system and did not report personal use of a State vehicle with the Comptroller on a quarterly basis. Instead the Department summarized the information on a spreadsheet and submitted it after year-end, requiring the Comptroller to issue revised W-2 forms to the individuals.

**Response:** Accepted. During the audit period the Department Office responsible for managing this reporting requirement experienced a transition period during which all aspects of the Department's vehicle fleet were re-examined including the reporting forms used to capture this data. Moreover, another Department Office temporarily took control of the files and data compilation effort and experimented with an alternative software. However, this effort was terminated before showing any positive results. Subsequently, the original office responsible has resumed its efforts on this requirement including the assignment of new staff whose extraordinary efforts have dramatically improved compliance with policies and implementation of controls.

**Updated Response:** Implemented. All employees with assigned vehicles are required to send to the Fiscal management Vehicle coordinator their quarterly reports, and all data is compiled and sent to payroll for appropriate taxation.

**15. Strengthen control regarding State vehicles as follows:**

- **Ensure vehicles assigned to individual employees are approved in writing by the Director as required by the Illinois Administrative Code.**
- **Annually review vehicles assigned to individual employees and document how assignments are justifiable and in the best interest of the State.**
- **Ensure employees utilize the Department motor vehicle fleet when available and require supervisors to document the rationale for allowing employees to use their personal vehicles in lieu of a pool vehicle.**
- **Communicate the requirement to file accident reports in a timely manner to those employees whose jobs involve travel. Use the Vehicle Coordinator to monitor the submission of accident reports to ensure that DCMS requirements are being followed.**
- **Maintain odometer readings on all vehicles. This information is critical for monitoring vehicle usage and planning for future maintenance.**
- **Track and strictly enforce the maintenance of Department vehicles. This would include developing documentation of all annual certifications of vehicles, as well as documentation of routine vehicle maintenance. (Repeated-2002)**

**Findings:** The Department did not have adequate controls over its State vehicles. The auditors noted the following:

- Four of 60 personally assigned vehicles were not approved in writing by the Director as required.
- The Department did not regularly review vehicle assignments to determine whether they were in the best interest of the State. Approximately one out of every eight full-time employees was assigned a State vehicle.
- One of the 10 top travelers did not regularly utilize the Department's motor vehicle fleet. This traveler was approved to use his personal vehicle for 7,810 miles, resulting in a reimbursement totaling \$2,851.
- Nine of 46 accidents involving State vehicles were not reported to CMS within seven days as required.



**Accepted or Implemented - continued**

- Odometer readings were not consistently maintained.
- Documentation was not available to verify proper maintenance on all of the Department's 1,400 vehicles.

**Response:** Accepted. The Department's Office of Administration and Fiscal management will co-lead an initiative to re-energize and further enhance the evaluations of the Department's vehicle fleet management which were initially completed in 2003 and implement as many of the recommendations as is determined viable within existing resources.

**Updated Response:** Working with Office Directors to ensure the current policy regarding assigned vehicles. 1. Assigned task of tracking mileage to each Division, 2. Developing a vehicle operator's manual to be kept in all DNR vehicles and 3. OFM is exploring with CMS the use of a fleet management software.

**16. Comply with the Illinois Vehicle Code and ensure all employees assigned a State vehicle certify annually that they are duly licensed and carry the minimum required insurance. Further, comply with policy and procedures and ensure employees using a private vehicle for State business file a statement annually with the Department's Travel Coordinator certifying that the employee is duly licensed and properly insured.**

**Findings:** The Department did not have adequate controls to ensure Department employees assigned State vehicles and using private vehicles for State business were duly licensed and insured.

**Response:** Accepted. The Department will ensure that all employees with an assigned vehicle certify their license and insurance requirement in July 2005. Additionally, we will abolish the last sentence in Policy and Procedure Manual Chapter 7, Section 7-1 VIII during FY2006 or sooner.

**Updated Response:** Implemented. Sent out to each person assigned a vehicle, a form to complete for proof of insurance. Changed the policy and procedure manual to reflect the appropriate requirements.

**17. Comply with State rules and implement controls to ensure vouchers are approved within the required time frame.**

**Findings:** The Department did not approve or deny invoice vouchers within 30 days as required. The auditors noted 100 vouchers totaling \$44 million of 503 vouchers tested were approved for payment from two to 414 days late. Interest charges paid by the Department totaled \$10,108 in FY03 and \$31,438 in FY04.

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**Response:** Accepted. As an adjunct to its newly implemented Budget-Actual-Variance (BAV) process, the Office of Fiscal Management will lead a team comprised of members from all Office's staff that are involved in the expenditure processing cycle to develop and disseminate to the initial point of contact in the Department, guidelines for full implementation of the "State Rules" on payment processing.

**Updated Response:** Implemented. In conjunction with a wholesale update of the Finance Handbook which includes a Chapter on voucher processing, we will reiterate to all staff the need to promptly execute this function. Interest penalty expense for FY05 was \$4,800 down from \$31,000 in FY04.

**18. Modify the record retention policy for telecommunications expenditures and equipment to ensure all required information is properly retained and available for review. Document the review of telecommunications charges and phone calls and insure such review is performed in a consistent manner throughout the Department. Incorporate specific documentation procedures in the Department's Policy and Procedure Manual. (Repeated-2002)**

**Findings:** DNR does not maintain adequate controls over processes related to telecommunications equipment and expenditure records. The auditors noted the following during testing:

- The Department failed to maintain records of phone calls for FY03.
- The Department did not require supervisors to adequately review and verify a monthly itemized listing of local and long distance calls.
- Telecommunication records are not updated for changes in assignments of equipment, such as cell phones and pagers.

**Response:** Accepted. The Offices of Administration and Fiscal Management will collaborate on an extensive and exhaustive review of the Department's telecommunications functions as a whole and will develop and implement policies and procedures as well as modify pertinent existing procedures to achieve an adequate level of management control to the extent possible within existing resources.

**Updated Response:** Implemented. The Office of Fiscal Management coordinated an update of its Telecommunication Policy for approval by the Director and worked with the CMS Telecomm liaison, assigned to the Agency, to implement procedures for a monthly review and sign-off of billings by senior level management staff and supervisory reviews of use.

**19. Implement procedures to cancel all telephone calling cards immediately when an employee no longer needs the calling card. (Repeated-2002)**

**Accepted or Implemented - continued**

**Findings:** The Department did not cancel telephone calling cards timely when use of the calling card is not justified. The auditors reviewed 25 individuals assigned telephone calling cards and noted that three cards were not canceled when the employees' use of the calling card was no longer necessary.

**Response:** Accepted. The Department will evaluate its need for telephone calling cards and will promptly cancel all those cards of former employees as well as all calling cards.

**Updated Response:** The Office of Fiscal Management will take control of this function from the Office of Administration and take necessary action ASAP.

**20. Modify the record retention procedures for Department credit card reports to ensure all required information is properly retained and available for review. Further, perform a review of credit card charges to ensure compliance with all travel rules and terms of the credit card agreement.**

**Findings:** DNR does not maintain adequate records related to travel credit card accounts and does not comply with policies and procedures established for the monitoring of government credit cards. The auditors noted the following during testing:

- The Department failed to maintain records of credit card statements during FY04 and FY03. A report is generated on all credit card activity by month by employee, but the report is maintained electronically for only three months and is then deleted.
- The Department did not require supervisors to review and verify a monthly itemized listing of credit card expenditures. No reviews of credit card billing reports were performed during FY03 or FY04.

**Response:** Accepted. The Department will reassess its need to use credit cards of any type and modify its record retention policies as well as its travel policy on determining when a credit card should be used.

**Updated Response:** The Office of Fiscal Management will take control of this function from the Office of Administration and take necessary action.

**21. Enter all past and future tickets and written warnings issued by Conservation Police Officers (CPO) into the State Police Traffic Information Planning System (TIPS) in a timely manner. (Repeated-2002)**

**Findings:** The Department did not enter citations and written warnings issued by Conservation Police into the State Police's Traffic Information Planning System (TIPS) timely. Failure to enter ticket information into TIPS presents a safety issue for all law enforcement officers. The auditors noted that as of November 12, 2004, citations dated June 1, 2004 to present were not entered into TIPS. Conservation Police Officers issue 15,000 citations and 10,000 written warnings per year.

**Response:** Accepted. The Department had already identified this problem as a number of highly specifically trained staff were experiencing an extended period of health related problems. We have now made substantial progress in addressing the back-log, we estimate it has been cut in half, and believe we will be reasonably current in the near future. Additionally, we hasten to add that some delays may occur as they are beyond our control because they are dependent of judicial actions at the circuit clerk level.

**Updated Response:** Implemented. Arrest citations are entered on a daily basis. During heavy season, additional staff will be assigned to work overtime.

**22. Follow policies and procedures regarding the campground host program and ensure all camp hosts are operating under a signed volunteer job description agreement and waiver of liability.**

**Findings:** The Department utilizes hundreds of volunteers each year to assist with interpretive programs, special events, and daily operations. The Department developed a Volunteer Reference Manual to assist in the recruitment, orientation, placement, training, supervision, education and recognition of volunteers. The auditors noted that 18 of 63 campground hosts did not have a signed volunteer job description contract or waiver of liability, and were therefore not covered under the medical and personal liability insurance offered by the Department. In addition, the Department was not properly protected from liabilities as these agreements legally bind the State to indemnify and represent in court a volunteer who causes injury or damage.

**Response:** Accepted. The Department's Office of Land Management, which was recently assigned to oversee this program, has tasked its Division of Parks and Recreation with oversight of this program and has already taken steps to correct the deficiencies noted.

**Updated Response:** Implemented. Named a new IDNR Host Campground coordinator. Revise Campground host handbook and program procedures. Ensure all Campground hosts sign applicable volunteer forms and liability waivers.

**23. Implement procedures to closely review all outstanding account balances at license year-end and ensure all revenues and/or unsold licenses be remitted within 30 days of the end of the season.**

**Findings:** Vendors who are consigned hunting and fishing licenses for sale to the public are not remitting license fees and/or unsold licenses to the Department at the end of the license year as required by Department rules. Five of 60 vendors tested did not remit license fees and/or unsold licenses to the Department timely.

**Accepted or Implemented - concluded**

**Response:** Accepted. The Department anticipates that its newly acquired Point-of-Sale (POS) system will be operational in the very near future, which will significantly address and correct the weaknesses noted.

**Updated Response:** The implementation of the POS will have the information weekly, along with the monies to be deposited. Additionally, the Office of Fiscal Mgt has initiated a more aggressive role in monitoring the roll-out of the POS.

**24. Implement controls to ensure records are maintained to support the disposition of all NSF checks and to support the suspension or revocation of the related title, registration or permit.**

**Findings:** The Department did not maintain adequate records supporting checks returned for insufficient funds. During testing of 60 NSF or stop payment checks, four checks had no supporting documentation regarding the status of the related title, registration or permit. The Department failed to maintain documentation for the four checks to determine if a suspension or revocation actually occurred.

**Response:** Accepted. The Department's Point-of-Sale system is due to come on-line in the immediate future, which we believe will free up additional resources that may be reassigned to handle the detail and time consuming tasks associated with debt collection. Moreover, the Office of Fiscal Management is planning to take a fresh look at its debt collection responsibilities Department-wide.

**Updated Response:** The Office of Fiscal Management has prioritized sufficient resources to address this finding as an assist to Administration.

**26. Comply with the statutes by preparing and submitting the required annual reports to the Governor and the General Assembly timely. (Repeated-2000)**

**Findings:** The Department did not prepare and submit to the Governor and the General Assembly annual progress reports on the implementation and development of the Open Space Lands Acquisition and Development Act. The reports are to include a statement of goals and objectives supporting expenditure documentation and the allocation of funds by location. The reports due for FY03 and FY04 were not submitted at all.

**Response:** Accepted. The Department will re-examine the statute to verify the requirements and prepare an annual report as soon as fiscal year ending data is available for fiscal year 2005 and each year thereafter.

**Updated Response:** Complete cycle of grant evaluations and compile data for 2001-2005. Coordinate graphic layout and printing w/CMS and finalize draft report. Print and distribute Annual report to Legislature.

**27. Allocate resources and funding to assist the Soil and Water Conservation Districts in conducting reviews on the potential effects of major water withdrawals.**

**Findings:** The Department's State Water Survey did not provide the required assistance in the review of the effects of high capacity water wells upon other users. In FY03 and FY04, the Survey received 56 and 55 notifications, respectively. No reviews were performed for any of the notifications received.

**Response:** Accepted. The Department's Illinois State Water Survey Division will re-examine this activity previously believed to be an unfunded mandate and, reprioritize within existing resources to fully implement statutory requirements.

**Updated Response:** This previously unfunded mandate has been mitigated by Executive Order #1 of FY06. Additionally, funding for this EO has been requested in the FY07 budget.

**29. Amend policies to require that all employees maintain time sheets in compliance with State law.**

**Findings:** DNR is not maintaining time sheets for its employees as required. Department employees, other than senior management, use a negative timekeeping system whereby the employee is assumed to be working unless noted otherwise.

**Response:** Accepted. The Department will have its Ethics Officer confirm with the Governor's Office the actions necessary to fully comply with the Act.

**Updated Response:** We currently serve on a committee with GOMB to search for a long term solution for an automated time and attendance system for all State Agencies.

### **Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

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State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY03 and FY04, the Department filed 19 affidavits for emergency purchases totaling \$941,311.22 for the following items:

- \$540,399.75 for repairs;
- \$41,629.71 for tornado clean-up;
- \$43,526.60 for fuel tank removal;
- \$129,630.00 for dredging;
- \$27,702.20 to extinguish burning mine refuse;
- \$117,777.00 for fire protection upgrade; and
- \$40,645.96 to plug oil well.

### **Headquarters Designations**

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

A report filed in July 2004 indicated that 63 employees spent more than half their working time at locations other than official headquarters.